

SUMMARY OF PROPOSALS

June 17, 2008 Workshop
In Preparation for the
July 1, 2008 Hearing

Under statewide pooling, producers have an incentive to ship their milk to a local plant, which for most producers is a manufacturing plant instead of a more distant Class 1 plant. To encourage sufficient milk supplies for Class 1 plants, three methods currently exist: call provisions (1979), transportation credits (1981), and transportation allowances (1982). The current hearing only addresses the latter two.

Transportation Allowances

Transportation allowances partially compensate for the cost of hauling milk from a producer's ranch to qualified plants in designated receiving areas. They are funded from the producer pool.

Transportation allowances apply to some market milk moving from the dairy farm to processing plants. This occurs when the receiving plant is located in certain deficit areas and processes more than 50 percent of its production into Class 1, Class 2, and/or Class 3 products. All relevant economic factors are considered in setting allowances, including, but not limited to: (1) CDFA audited hauling costs; (2) distance considerations; (3) local alternative hauling costs; (4) encouragement of close-in milk to be shipped first; (5) local competition for milk; and (6) relative cost to the pool of milk moving under allowances and credits.

In addition, cooperative members receive transportation allowances on shipments to their cooperative plant, which is located in a deficit area, if that plant supplies 40 percent of its receipts for Class 1 usage.

Table 1 summarizes the current transportation allowances and the proposed changes by the petitioner and those submitting alternative proposals.

Transportation Credits

Transportation credits are reductions in the obligation handlers pay for Class 1 milk that partially compensates for the cost of hauling milk, and more recently condensed skim, assigned to Class 1 usage from plants in designated supply counties to plants in designated deficit counties. If the supply counties and deficit counties are in different marketing areas, the Class 1 area differentials are added to the transportation credit.

All relevant economic factors are considered in setting allowances, including, but not limited to: (1) CDFA audited hauling costs; (2) distance considerations; (3) encouragement of close-in milk to be shipped first; (4) competition for milk; and (5) relative cost to the pool of milk moving under allowances and credits.

Table 2 summarizes the current transportation credits and the proposed changes by the petitioner and those submitting alternative proposals.

SUMMARY OF PROPOSALS

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

Three changes were proposed by the Department to make technical amendments to the Pooling plan:

- To add a definition in Article 1, Section 134 of the Pooling Plan for the new “Dairy Accounting System”.
- To add a new Subsection 802.5 to the Pooling Plan to begin using actual solids-not-fat content in milk received and utilized by milk processors rather than using an average SNF test to determine solids-not-fat contained in the milk reported to the Department.
- To add new Subsections 921.5, 922.5 and 923.5 to provide for use of a new distance measuring application (PC Miler®) instead of the currently used PUC Table.

CALIFORNIA DAIRIES INC.

Transportation Allowances:

- Adopt the following transportation allowances for plants located in the following receiving areas:

Bay Area (Alameda, Contra Costa, Santa Clara, Santa Cruz, San Francisco, and San Mateo Counties):

0-99 miles	\$0.31/cwt.
99-199 miles	\$0.38/cwt.
Over 199 miles	\$0.40/cwt.

Southern California Area (Los Angeles, Orange, Riverside, San Bernardino and Ventura Counties):

1) For shipments from Riverside and San Bernardino Counties:

*0-87 miles	\$0.15/cwt.
*Over 87 miles	\$0.43/cwt.

2) For shipments from all other counties:

*0-87 miles	\$0.15/cwt.
*87-107 miles	\$0.43/cwt.
*107-127 miles	\$0.63/cwt.
*Over 127 miles	\$0.80/cwt.

San Diego Area (San Diego County):

*0-87 miles	\$0.15/cwt.
*87-127 miles	\$0.43/cwt.
*Over 127 miles	\$0.80/cwt.

***Indicates mileage bracket changes**

Transportation Credits:

- No proposed changes

HUMBOLDT CREAMERY

Transportation Allowances:

- Adopt the following transportation allowances for plants located in the following receiving areas:

Southern California Receiving Area (Los Angeles, Orange, San Bernardino and Ventura Counties):

For milk shipments from Humboldt and Del Norte Counties only:

\$3.50/cwt.

Transportation Credits:

Make the following changes to transportation credits:

- Include Humboldt as a designated supply county, where the transportation credit for shipments from the designated supply county of Humboldt to the designated deficit counties of Orange, Riverside, Los Angeles, San Bernardino, or Ventura is \$3.50/cwt.

DAIRY INSTITUTE

Transportation Allowances:

- Increase the transportation allowances for plants located in the following receiving areas:

Bay Area (Alameda, Contra Costa, Santa Clara, Santa Cruz, San Francisco, and San Mateo Counties):

0-99 miles	\$0.31/cwt.
99-199 miles	\$0.38/cwt.
Over 199 miles	\$0.40/cwt.

North Bay Area (Marin, Solano, Sonoma Counties):

0-44 miles	\$0.23/cwt.
44-99 miles	\$0.33/cwt.
Over 99 miles	\$0.38/cwt.

Sacramento Area (Sacramento County):

0-59 miles	\$0.19/cwt.
Over 59 miles	\$0.24/cwt.

Southern California Area (Los Angeles, Orange, Riverside, San Bernardino and Ventura Counties):

- 1) For shipments from the Barstow Supply Area (Riverside and San Bernardino Counties):

0-89 miles	\$0.15/cwt.
Over 89 miles	\$0.43/cwt.

2) For shipments from all other counties:

0-89 miles	\$0.15/cwt.
89-109 miles	\$0.43/cwt.
109-139 miles	\$0.63/cwt.
Over 139 miles	\$0.80/cwt.

San Diego Area (San Diego County):

0-89 miles	\$0.15/cwt.
**89-139 miles	\$0.43/cwt.
Over 139 miles	\$0.80/cwt.

* Indicates no change proposed

Transportation Credits:

- Increase the transportation credit for shipments from the designated supply county of Los Angeles to Orange, Riverside, San Bernardino, San Diego, or Ventura Counties to \$0.59/cwt.
- Increase the transportation credit for shipments from the designated supply county of Tulare to Los Angeles, Orange, or Ventura Counties to \$0.96/cwt.
- Increase the transportation credit for shipments from the designated supply county of Tulare to Riverside, San Bernardino or San Diego Counties to \$1.14/cwt.
- Increase the transportation credit for shipments from the designated supply counties of Fresno and Kings to Los Angeles, Orange, or Ventura Counties to \$0.96/cwt.
- Increase the transportation credit for shipments from the designated supply counties of Fresno and Kings to Riverside, San Bernardino or San Diego Counties to \$1.14/cwt.
- Increase the transportation credit for shipments from the designated supply counties of Merced and the entire county of Stanislaus to Alameda, San Francisco or Santa Clara to \$0.67/cwt.
- Increase the transportation credit for shipments from the designated supply counties of Merced and the entire county of Stanislaus to Sacramento to \$0.73/cwt.
- Include Solano and Sonoma as designated deficit counties, where transportation credit for shipments from the designated supply counties of Merced and Stanislaus to Solano or Sonoma is \$0.73/cwt.

DAIRY FARMERS OF AMERICA

Transportation Allowances:

- Increase the transportation allowances for plants located in the following receiving areas:

Bay Area (Alameda, Contra Costa, Santa Clara, Santa Cruz, San Francisco, and San Mateo Counties):

0-99 miles	\$0.37/cwt.
99-199 miles	\$0.45/cwt.
Over 199 miles	\$0.47/cwt.

North Bay Area (Marin, Solano, Sonoma Counties):

**0-44 miles	\$0.19/cwt.
44-99 miles	\$0.35/cwt.
Over 99 miles	\$0.44/cwt.

Sacramento Area (Sacramento County):

**0-59 miles	\$0.15/cwt.
Over 59 miles	\$0.25/cwt.

Southern California Area (Los Angeles, Orange, Riverside, San Bernardino and Ventura Counties):

1) For shipments from the Barstow Supply Area (Riverside and San Bernardino Counties):

*0-87 miles	\$0.15/cwt.
*Over 87 miles	\$0.46/cwt.

2) For shipments from all other counties:

*0-87 miles	\$0.15/cwt.
*87-107 miles	\$0.46/cwt.
*107-127 miles	\$0.67/cwt.
*Over 27 miles	\$0.84/cwt.

***Indicates mileage bracket changes**

****Indicates no change proposed**

Transportation Credits:

- No proposed changes

Table 1: PROPOSED CHANGES TO TRANSPORTATION ALLOWANCES: Ranch-to-Plant

	CONSTRUCTIVE MILES			Current since September 2006	CDI Proposal	Dairy Institute Proposal	Humboldt Proposal	DFA Proposal
	In Dollars Per Hundredweight							
Bay Area Receiving Area ^{1/}	0 99 199	to to +	99 199	\$0.27 \$0.34 \$0.36	\$0.31 \$0.38 \$0.40	\$0.31 \$0.38 \$0.40	\$0.27 \$0.34 \$0.36	\$0.37 \$0.45 \$0.47
North Bay Receiving Area ^{2/}	0 44 99	to to +	44 99	\$0.19 \$0.29 \$0.34	\$0.19 \$0.29 \$0.34	\$0.23 \$0.33 \$0.38	\$0.19 \$0.29 \$0.34	 \$0.35 \$0.44
Sacramento Receiving Area	0 59	to +	59	\$0.15 \$0.20	\$0.15 \$0.20	\$0.19 \$0.24	\$0.15 \$0.20	\$0.15 \$0.25
Shasta Receiving Area ^{3/}	0 29 49	to to +	29 49	\$0.13 \$0.16 \$0.19	\$0.13 \$0.16 \$0.19	\$0.13 \$0.16 \$0.19	\$0.13 \$0.16 \$0.19	\$0.13 \$0.16 \$0.19
San Diego Receiving Area	0 89 139 0 87 127	to to + to to +	89 139 87 127	\$0.11 \$0.43 \$0.70 \$0.80	 \$0.15 \$0.43 \$0.80	\$0.15 \$0.43 \$0.80	\$0.11 \$0.43 \$0.70	\$0.11 \$0.43 \$0.70
Southern California Receiving Area ^{4/} from San Bernardino and Riverside counties	0 89	to +	89	\$0.11 \$0.37	 	\$0.15 \$0.43	\$0.11 \$0.37	
	0 87	to +	87	 	\$0.15 \$0.43			\$0.15 \$0.46
From Humboldt and Del Norte counties	All distances			\$0.70	\$0.80	\$0.80	\$3.50	\$0.84
from all other counties	0 89 109 139	to to to +	89 109 139	\$0.11 \$0.37 \$0.56 \$0.70	 	\$0.15 \$0.43 \$0.63 \$0.80	\$0.11 \$0.37 \$0.56 \$0.70	
	0 87 107 127	to to to +	87 107 127	 	\$0.15 \$0.43 \$0.63 \$0.80			\$0.15 \$0.46 \$0.67 \$0.84

1/ Alameda, Contra Costa, San Francisco, San Mateo, Santa Clara, and Santa Cruz Counties.

2/ Marin, Solano and Sonoma counties.

3/ Transportation Allowances for the Shasta Receiving Area have not been used since mid 1996.

4/ Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties.

Shaded area indicates rate change or mileage bracket change

Table 2 - PROPOSED CHANGES TO TRANSPORTATION CREDITS: *Plant-to-Plant*
CDI and DFA proposals would not affect transportation credits.

Area differentials based on whole milk \$0.27 = \$0.0031 x 87.8; for skim the differential would be \$0.28 = \$0.0031 x 90.9; for condensed skim \$0.21 = \$0.0031 x 68.0

SUPPLY COUNTRIES	DEFICIT COUNTRIES		CURRENT SINCE Sep 2006	Institute Proposal	Humboldt Proposal
Los Angeles	Orange, Riverside, San Bernardino, San Diego and Ventura	Differential	0.00	0.00	
		Credit	0.37	0.59	
		Total	\$0.37	\$0.59	
Tulare	Los Angeles, Orange, and Ventura	Differential	0.27	0.27	
		Credit	0.73	0.96	
		Total	\$1.00	\$1.23	
	Riverside, San Bernardino and San Diego	Differential	0.27	0.27	
		Credit	0.81	1.14	
		Total	\$1.08	\$1.41	
Kings and Fresno	Los Angeles, Orange, and Ventura	Differential	0.27	0.27	
		Credit	0.76	0.96	
		Total	\$1.03	\$1.23	
	Riverside, San Bernardino and San Diego	Differential	0.27	0.27	
		Credit	0.84	1.14	
		Total	\$1.11	\$1.41	
Sonoma	Alameda, San Francisco and Santa Clara	Differential	0.00		
		Credit	0.27		
		Total	\$0.27		
Merced and Stanislaus ¹	Alameda, San Francisco and Santa Clara	Differential	0.00	0.00	
		Credit	0.38	0.67	
		Total	\$0.38	\$0.67	
Merced and Stanislaus ¹	Sacramento	Differential	0.00	0.00	
		Credit	0.20	0.73	
		Total	\$0.20	\$0.73	
Merced and Stanislaus	Solano and Sonoma	Differential	0.00	0.00	
		Credit	0.00	0.73	
		Total	\$0.00	\$0.73	
Humboldt	Orange, Riverside, San Bernardino, Los Angeles and Ventura	Differential	0.00		0.27
		Credit	0.00		3.50
		Total	\$0.00		\$3.77

Shaded area indicates change

¹The Dairy Institute proposal includes all of Stanislaus County